

Blueprint Maryland

THE STATE'S HOUSING ECONOMY IN REVIEW DECEMBER 2006 - JANUARY 2007

Housing Market Correction Intensifies in Maryland

Following a period of robust growth since 2000, housing markets have slowed down significantly in Maryland. Data for the first ten months of this year show a precipitous decline in the pace of home sales throughout Maryland, a corresponding increase in housing inventories, and lower home price appreciation rates.

Compared to 2005, the pace of existing home sales in 2006 declined by 21.2 percent to 65,544 units. At the same time, the supply of homes grew by 117.9 percent, increasing from an average of two months in 2005 to 5.2 months in 2006. The reduction in home sales caused the ten-month growth in median home sales prices to slow down considerably, declining from a high of 18.1 percent in 2005 to a more sustainable rate of 5.6 percent in 2006. The housing market, therefore, is transitioning into a more normal environment as the supply of homes approaches the stable threshold of six months—when buyer demand

and inventory are in balance. Analysis of housing markets segmented by price group indicates that the magnitude of the correction pace is substantially larger in progressively higher priced markets.

As shown in Exhibit 1, from January to October, sales of existing Maryland homes priced below \$200,000 experienced the largest year-over-year drop of 38.3 percent, declining to 12,973 units in 2006. However, a relatively low inventory kept the average monthly supply of these homes at a tight 3.1 months, well below the “balanced” threshold of six months, but substantially above last year’s supply of 1.3 months. Statewide, 19.8 percent of all homes sold in 2006 were priced below \$200,000 (Exhibit 2). Regionally, more than one-third of all existing home sales in Baltimore City and in Allegany, Caroline, Dorchester and Washington counties were in this price range. By contrast, less than 5 percent of home sales in Montgomery, Howard, Charles and Calvert counties were priced below \$200,000.

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National Economic Digest

GDP Revised Up in the Third Quarter

According to preliminary estimates released by the Bureau of Economic Analysis (BEA), the U.S. economy grew at an annualized rate of 2.2 percent in the third quarter, up from the previously released estimate of 1.6 percent, but below the second quarter growth rate of 2.6 percent. The economy’s slowdown was due to an acceleration of imports, a decrease in private inventory investment, a decrease in residential fixed investment, and decelerations in consumer spending for services and state and local government spending. The BEA also released advanced estimates of the third quarter corporate profits, which increased 4.2 percent to \$66.2 billion.

National Activity Index Remains Below Trend

The Chicago Fed National Activity Index (CFNAI) was -0.31 in October, up from -0.38 in September. The three month moving average of the Index was -0.19 in October, signifying that the growth in national economic activity was below its historical trend. Production-related indicators made a negative contribution of -0.14. Total industrial production increased 0.2 percent but manufacturing capacity utilization fell to 80.7 percent. Consumption and housing indicators made a negative contribution of -0.05 in October. Housing starts dropped 14.6 percent and residential building permits fell 6.3 percent. Despite the declines, both measures remained above historical norms and sustained their

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CONTENTS

- 1 HOUSING MARKET CORRECTION INTENSIFIES IN MARYLAND
- 1 NATIONAL ECONOMIC DIGEST
- 3 RESIDENTIAL CONSTRUCTION
- 5 MORTGAGE RATES
- 5 HOME SALES
- 7 HOMEOWNERSHIP AFFORDABILITY INDICES



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Acting Secretary, Maryland Department
of Housing and Community
Development

This issue of *Blueprint Maryland* shows that the housing market correction in Maryland is proceeding at a pace that varies substantially among sub-county markets. The magnitude of the adjustment pace is significantly larger in higher priced housing markets. Market segments where buyers are beginning to exert a considerable influence on home prices include those with housing supplies that exceed seven months. As a result, home sales in these markets jumped significantly from last year, increasing from 1,792 units or about two percent of the market in 2005 to 11,651 units or 18 percent of the market in 2006. Please visit www.mdhousing.org for more information.

Home sales in the price range of \$200,000 to \$299,000 totaled 17,561 units, representing a decline of 22.7 percent from last year. The supply of these homes averaged 3.6 months, below the balanced market threshold, but more than twice the rate of 1.4 months recorded last year. Overall, the largest share of homes sold in Maryland (26.8 percent) belonged to this price group with Baltimore County having the largest share of homes in this price range (41.6 percent) while Allegany County recording the lowest share of only 5.9 percent.

The lowest year-over-year decline in home sales was recorded for homes priced between \$300,000 and \$399,000. Sales of these homes declined by only 8.8 percent in 2006 to 16,235 units. However, a considerable rise in housing inventory helped escalate their average monthly supply to 4.5 months, up 148.7 percent from last year's supply of 1.8 months. The number of homes sold in this price range represented 24.8 percent of all home sales in Maryland, the second largest group. Among Maryland jurisdictions, Prince George's County had the largest share (38.9 percent), while Allegany County again recorded the lowest (3.0 percent).

The Maryland housing market is transitioning into a more normal environment as the supply of homes approaches the stable threshold of six months. Analysis of housing markets segmented by price group indicates that the magnitude of the correction pace is substantially larger in progressively higher priced markets.

Sales of homes priced between \$400,000 and \$499,000, representing 12.1 percent of all home sales, dropped by 13.9 percent in 2006 to 7,944 units, the lowest volume among various price groups. The average monthly supply of these homes grew by 163.4 percent, rising from 2.3 months in 2005 to 6.0 months in 2006. Montgomery County led the state with 21.0 percent of the county's home sales in this price range. Once again, Allegany County had the lowest share statewide, with only 0.5 percent of the county's home sales in this price range.

Finally, a total of 10,831 homes that were priced above \$500,000, comprising 16.5 percent of all home sales, were sold in the first ten months of this year, representing a growth of 12.4 percent from last year. The average monthly supply of homes in this price range grew by 127.2 percent, increasing from 4.0 months in 2005 to 9.1 months in 2006, the longest among price groups. Montgomery County homes

sold in this price range represented 38.0 percent of all county home sales in 2006, the largest share statewide, while no homes in this price range were sold in Allegany County.

The slow down in the state's housing market had a varying impact on markets segmented by the months' supply. Homebuyers in markets where housing supplies exceeded seven months gradually enhanced their bargaining position as inventories continued to build up and sellers began to cut their price to encourage sales. Compared to the first ten months of 2005, total housing inventory in these markets grew substantially, increasing from an estimated 19,352 units in 2005 to 134,264 units in 2006 (Exhibit 3). The inventory

of these homes represented about 12 percent of all housing inventory in 2005, compared with an estimated 40 percent in 2006. As a result, home sales in these markets jumped significantly from last year, increasing from 1,792 units or about two percent of the market in 2005 to 11,651 units or about 18 percent of the market in 2006. Markets with supplies ranging from seven to nine months include homes priced below \$200,000 in Dorchester County; between \$200,000 and \$299,000 in Allegany, Queen Anne's, Talbot, and Washington counties; between \$300,000 and \$399,000 in Calvert County; and between \$400,000 and \$499,000 in Carroll, Frederick, and Harford counties. The housing supply exceeds nine months for all

EXHIBIT 1: SALES AND MONTH'S SUPPLY OF HOMES IN MARYLAND
January–October 2005 and 2006

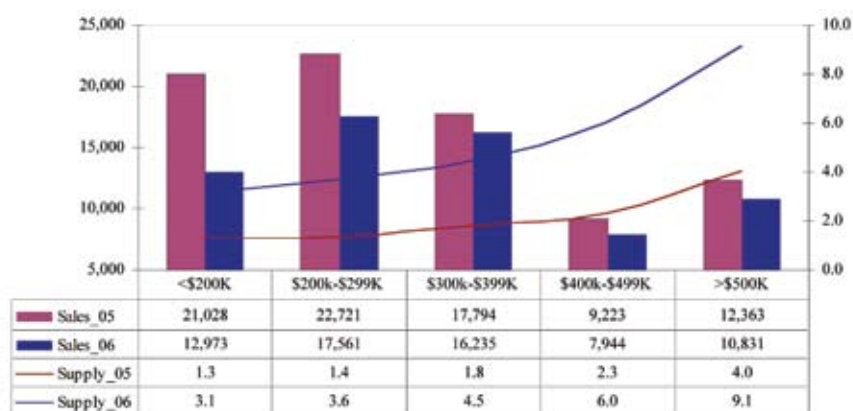


EXHIBIT 2: MARYLAND HOME SALES BY PRICE RANGE
Percent of Total Sales, January–October 2006

COUNTY	Below \$200K	\$200K–299K	\$300K–399K	\$400K–499K	Over \$500K
Allegany	90.6%	5.9%	3.0%	0.5%	0.0%
Anne Arundel	5.1%	28.9%	31.0%	13.1%	21.8%
Baltimore	25.6%	41.6%	17.4%	6.5%	8.8%
Baltimore City	70.1%	17.3%	6.4%	2.7%	3.5%
Calvert	4.6%	31.3%	25.1%	16.1%	22.9%
Caroline	36.7%	34.7%	16.9%	8.5%	3.2%
Carroll	7.8%	31.8%	31.6%	16.0%	12.8%
Cecil	31.0%	35.4%	19.6%	7.1%	6.8%
Charles	3.9%	30.1%	38.0%	16.9%	11.2%
Dorchester	45.7%	31.9%	11.6%	3.9%	6.9%
Frederick	5.1%	36.6%	27.9%	15.4%	15.0%
Garrett	31.5%	18.3%	14.7%	9.3%	26.2%
Harford	24.0%	37.8%	20.2%	10.7%	7.3%
Howard	3.7%	18.7%	31.7%	16.2%	29.7%
Kent	29.9%	26.5%	15.6%	6.2%	21.8%
Montgomery	2.5%	13.9%	24.7%	21.0%	38.0%
Prince George's	10.7%	28.3%	38.9%	12.5%	9.6%
Queen Anne's	9.6%	21.9%	25.7%	15.7%	27.1%
St. Mary's	17.6%	26.9%	32.1%	12.1%	11.2%
Talbot	10.2%	28.4%	17.9%	9.0%	34.5%
Washington	36.1%	38.0%	12.9%	6.1%	6.9%
Maryland	19.8%	26.8%	24.8%	12.1%	16.5%

homes priced over \$200,000 in Garrett County; for homes between \$300,000 and \$399,000 in Allegany County; for homes exceeding \$300,000 in Baltimore City and Caroline, Cecil, Dorchester, Kent and Washington counties; for homes above \$400,000 in Calvert and St. Mary's counties; and for homes over \$500,000 in Anne Arundel, Baltimore, Carroll, Charles, Frederick, and Harford counties.

In markets where housing supply fell below five months sellers were generally less inclined to lower prices to attract buyers. As a result, home sales in these markets declined at a much faster pace than the rate of growth of inventories. Compared to the first ten months of last year, housing inventory in these markets grew by a modest 12 percent, increasing from an estimated 127,027 units in 2005 to 142,253 units in 2006. Last year's inventory, however, represented about 77 percent of total housing inventory, compared with a much lower share of 42 percent in 2006. Home sales in these markets decreased substantially from last year, declining from 77,940 units or about 94 percent of the market in 2005 to 43,948 units or over 67 percent of the market in 2006. The supply of existing homes for sale fell below two months for homes priced below \$299,000 in Prince George's County, the tightest housing market segment statewide, for homes listed below \$200,000 in Baltimore County, and for homes above \$400,000 in Allegany County. The supply of homes was between two to four months for homes priced less than \$200,000 in Baltimore City and Calvert, Cecil, and Queen Anne's counties; for homes listed below \$299,000 in Anne Arundel, Carroll, Frederick, Harford, and St. Mary's counties; for homes priced less than \$399,000 in Charles and Howard counties; for homes values at less than \$499,000 in Montgomery County; and for homes priced between

EXHIBIT 3: MARYLAND HOUSING MARKET SEGMENTED BY MONTHS' SUPPLY AND PRICE RANGE
January–October 2005 and 2006

	MONTHS' SUPPLY	BELOW \$200K	\$200K–299K	\$300K–399K	\$400K–499K	OVER \$500K	TOTAL UNITS	TOTAL SHARE
HOUSING INVENTORY	Over Seven:							
	2005	0	2,300	2,744	2,653	11,656	19,352	11.7%
	2006	2,681	11,470	17,894	21,047	81,171	134,264	40.0%
	Below Five:							
	2005	26,776	28,648	28,813	18,070	24,720	127,027	76.6%
	2006	36,769	42,933	45,695	16,857	0	142,253	42.4%
	Five to Seven:							
	2005	1,167	896	1,850	954	14,497	19,363	11.7%
	2006	1,475	11,521	11,424	11,558	23,215	59,192	17.6%
	Total:							
HOME SALES	2005	27,943	31,844	33,407	21,677	50,872	165,743	100.0%
	2006	40,925	65,924	75,013	49,461	104,386	335,709	100.0%
	Over Seven:							
	2005:	0	263	245	229	1,055	1,792	2.2%
	2006	294	1,173	1,591	1,973	6,620	11,651	17.8%
	Below Five:							
	2005	20,848	22,311	17,208	8,822	8,751	77,940	93.8%
	2006	12,436	14,642	12,658	4,212	0	43,948	67.1%
	Five to Seven:							
	2005	180	147	341	172	2,557	3,397	4.1%
	2006	243	1,746	1,986	1,759	4,211	9,945	15.2%
	Total:							
	2005	21,028	22,721	17,794	9,223	12,363	83,129	100.0%
	2006	12,973	17,561	16,235	7,944	10,831	65,544	100.0%

Source: Metropolitan Regional Information Systems, Inc. and Maryland Department of Housing and Community Development

\$300,000 to \$399,000 in Prince George's County.

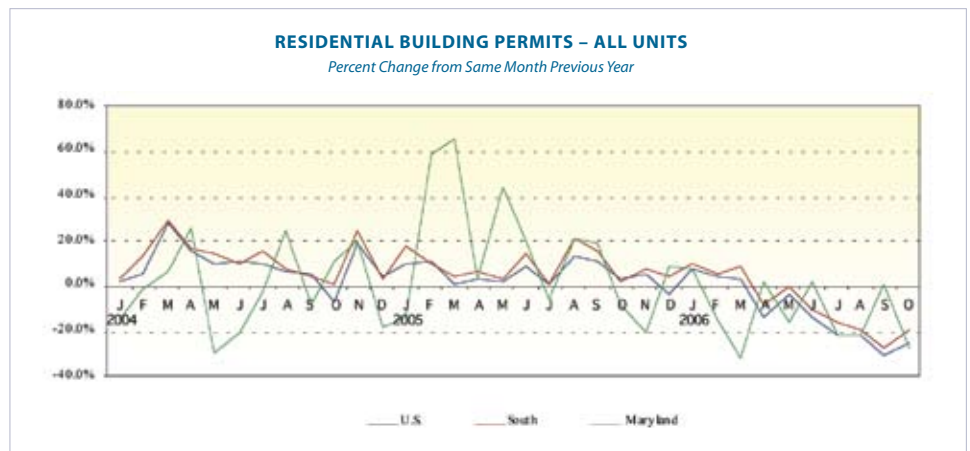
In the state's more balanced housing markets, characterized by housing supplies of five to seven months, housing inventory and home sales increased at comparable rates over last year. Compared to the first ten months of last year, housing inventory in these markets grew by 206 percent, increasing from an estimated 19,363 units in 2005 to 59,192 units in 2006. The inventory of these homes represented about 12 percent of total housing inventory in 2005, compared with a share of about 18 percent in 2006. Home sales in these markets grew by about

193 percent from last year, rising from 3,397 units or about 4 percent of the market in 2005 to 9,945 units or slightly over 15 percent of the market in 2006. The supply of existing homes for sale was between five to seven months for homes priced below \$299,000 in Baltimore City, and Caroline, Cecil, Kent, and St. Mary's counties; for homes priced between \$300,000 to \$399,000 in Carroll, Frederick, and Harford counties; for homes priced between \$400,000 to \$499,000 in Anne Arundel, Baltimore, and Charles counties, and for homes over \$500,000 in Montgomery County. ■

Residential Construction

Public Construction Posts a Moderate Increase

The U.S. Census Bureau reported that construction spending in the U.S. posted a moderate decline of one percent in October to a seasonally adjusted annual rate of \$1,178.4 billion, due to a decrease in private residential construction. However, compared to October 2005, construction spending was up 0.5 percent. Private construction spending fell 1.5 percent to a seasonally adjusted annual rate of \$905.3 billion. Private residential construction spending was down 1.9 percent in October to \$597.1 billion, and was 9.4 percent below last year. Private nonresidential construction slipped by 0.7 percent to \$308.2 billion in October but was up 16.4 percent



Source: U.S. Census Bureau & Maryland Department of Housing and Community Development

from last year. Public construction posted a moderate increase of 0.8 percent to \$273.1 billion in October, though it was up 9.9 percent from a year ago.

Homebuilder Optimism Continues to Improve

Homebuilder optimism as measured by the National Association of Home Builders' Housing Market Index (HMI) reported a gain in November. This is the second consecutive monthly increase after eight successive monthly declines. The HMI rose two points to 33, though industry conditions remained unfavorable by the majority of homebuilders. The Present Conditions Index increased by one point to 33, the Future Sales Index was up four points to 46 and the Traffic of Prospective Buyers Index rose three points to 26. Homebuilder optimism increased in two of the of the four Census regions. The HMI declined by one point to 34 in the West, and by two points to 16 in the Midwest region. Optimism increased by two points to 37 in the Northeast and by two points to 40 in the South.

Maryland Residential Building Permits Declined in October

Private residential building permits in the U.S. decreased by 1.2 percent in October to 130,400 units. Single-family permits were up 1.6 percent to 97,900 units but multi-family permits were down 8.7 percent to 32,500 units. Compared to October 2005, total residential building permits issued were down 24.5 percent, with single-family and multi-family building permits declining by 28.8 percent and 7.4 percent, respectively.

In the Census' South region which includes Maryland, the October volume of building permits rose by 3.9 percent to 64,600 units. The region's single-family permits were up 4.1 percent to 50,200 units. Multi-family permits increased 2.9 percent to 14,400 units. Compared to October 2005, residential building permits issued in the South region declined by 18.9 percent, with single-family and multi-family building permits decreasing 22.8 percent and 1.6 percent, respectively.

The volume of building permits issued in Maryland fell 30.6 percent in October to 1,678 units. Single-family permits declined 19.4 percent to 1,267 units. Multi-family permits dropped 51.5 percent to 412 units. Compared to October 2005, residential building permits issued for all units fell 27.0 percent, reflecting a decrease of 39.3 percent for single-family units but an increase of 95.3 percent for multi-family structures.

Housing Starts Plunged in October

Residential construction activity declined significantly in October. Nationwide, new construction was down 14.1 percent to 131,300 units, the largest monthly decline since January 2006. Single-family construction fell 14.8 percent to 102,800 units, while multi-family construction dropped by 11.5 percent to 28,500 units. Compared to October 2005, housing starts in the U.S. decreased by 24.8 percent, the largest

RESIDENTIAL CONSTRUCTION – OCTOBER 2006

JURISDICTION	PERMITS		STARTS		COMPLETIONS	
	Units	\$ 000s	Units	\$ 000s	Units	\$ 000s
Allegany	0	\$0	0	\$0	3	\$310
Anne Arundel	100	\$16,201	106	\$17,251	126	\$19,902
Baltimore	164	\$23,313	132	\$20,014	267	\$39,788
Baltimore City	83	\$10,361	81	\$10,098	71	\$8,606
Calvert	19	\$2,984	19	\$2,984	31	\$5,476
Caroline	2	\$600	2	\$600	2	\$600
Carroll	31	\$4,911	31	\$4,911	66	\$10,457
Cecil	33	\$4,953	33	\$4,953	58	\$7,946
Charles	122	\$23,818	127	\$24,135	77	\$18,081
Frederick	97	\$13,335	59	\$9,578	163	\$17,241
Garrett	22	\$6,728	22	\$6,728	32	\$6,634
Harford	59	\$9,901	93	\$13,254	75	\$11,767
Howard	92	\$14,448	92	\$14,448	165	\$23,741
Kent	3	\$266	3	\$266	2	\$280
Montgomery	94	\$27,415	660	\$124,939	60	\$21,648
Prince George's	197	\$31,195	197	\$31,195	338	\$61,120
Queen Anne's	13	\$3,194	13	\$3,194	29	\$5,205
St. Mary's	40	\$6,030	38	\$5,876	76	\$12,082
Washington	60	\$10,298	70	\$10,191	51	\$5,412
Wicomico	65	\$5,889	35	\$4,080	53	\$6,505
Worcester	32	\$9,026	24	\$6,926	53	\$8,019
Maryland	1,679	\$253,579	2,116	\$340,413	2,158	\$323,702

**Totals do not add up since data for Dorchester, Somerset and Talbot counties are not available. Statewide data are based on the projections made by the Census Bureau.*

year-over-year decline since January 2001, as both single-family and multi-family starts were down 29.4 percent and 1.7 percent, respectively.

Housing starts dropped in the South region by 27.1 percent to 60,700 units in October, the largest drop since January 2000, as single-family starts declined by 26.3 percent to 48,600 units and multi-family construction fell 30.5 percent to 12,100 units. Compared to October 2005, residential housing starts decreased 28.5 percent, the largest annual decline since January 2001, reflecting declines of 31.3 percent in single-family construction and of 14.8 percent in multi-family housing activity.

Housing starts in Maryland were down 10.6 percent in October to 2,116 units. Single-family housing starts decreased by 19.4 percent to 1,267 units while multi-family starts rose 6.8 percent to 849 units. Compared to October 2005, total housing starts in Maryland dropped by 21.6 percent. The single-family construction declined by 39.3 percent, thereby overwhelming a significant gain of 38.7 percent which occurred in new multi-family construction.

Housing Completions Fell Nationwide

Nationwide, housing completions in October fell by 5.8 percent to 174,000 units. Across the nation, single-family completions were down 8.8 percent to 141,700 units but multi-family completions increased by 9.9 percent to 32,300 units. Compared to the same month last year, housing completions were down 1.8 percent, due to a 4.7 percent drop in single-

family completions which outweighed a 13.3 percent gain in multi-family completions.

In the South region, housing completions edged down 0.1 percent to 86,200 units in October. Single-family completions declined by 12.7 percent to 65,800 units. However, multi-family completions rose 87.2 percent to 20,400 units. Similar to the national trend, housing completions fell by 0.7 percent, due to a decline of 11.1 percent in single-family completions which more than offset the 59.4 percent rise in multi-family completions.

The number of housing completions in Maryland totaled 2,158 units in October, decreasing by 16.7 percent from September. Single-family completions dropped 11.8 percent to 1,930 units while multi-family completions declined by 43.6 percent to 228 units. Compared to October 2005, Maryland housing completions decreased 28.4 percent, as single-family and multi-family completions dropped by 19.8 percent and 62.4 percent, respectively.

Residential Construction in Maryland Counties

Across Maryland, the value of housing permits in October declined by 34.2 percent to \$253.6 million. Maryland jurisdictions that reported gains in the number and value of building permits issued for this month included Baltimore City and Baltimore, Carroll, Cecil, Charles, Howard St. Mary's and Worcester counties. Statewide, the value of housing starts fell 13.5 percent to \$340.0 million in October. Overall, several Maryland jurisdictions reported gains in the number and value of housing starts, including

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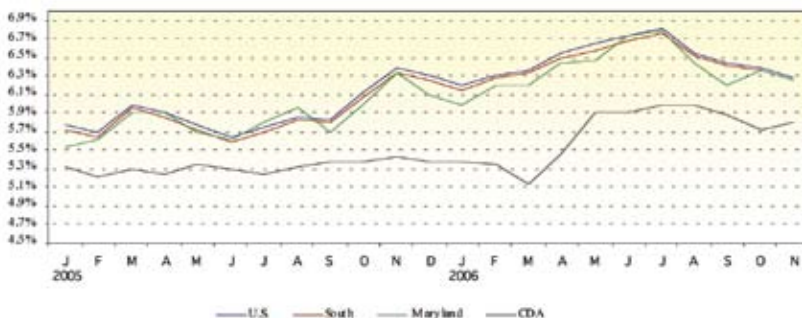
Mortgage Rates

Effective Mortgage Rates Decline in November

Effective 30-year fixed mortgage rates—rates that account for variations in points—for the U.S. and the South fell in November. From October to November, Freddie Mac's 30-year effective fixed mortgage rates decreased from 6.40 percent to 6.29 percent in the U.S., and from 6.37 percent to 6.25 percent in the South region. The 30-year fixed effective mortgage rate in Maryland dropped by 12 basis points to 6.26 percent in November and was down three basis points below the national rate.

The effective mortgage rate of the Community Development Administration (CDA), an agency of the Maryland Department of Housing and Community Development, rose to 5.81 percent in November. The CDA rate, however, was 45 basis points below the average effective commercial mortgage rate in Maryland, and 48 basis points

30-YEAR FIXED MORTGAGE RATES



Source: Freddie Mac & Maryland Department of Housing and Community Development

below Freddie Mac's national average rate. CDA's mortgage program (www.morehouse4less.com) provides low-interest mortgage loans to eligible homebuyers through private lending institutions throughout the State. ■

CDA Maryland Mortgage Program

The smart choice for first-time homebuyers

morehouse4less.com

Home Sales

New Home Sales Dropped in October

According to the Census Bureau, new home sales in the U.S. dropped to 77,000 units in October. The October sales pace decelerated by 6.1 percent from September and was down 26.7 percent from the previous year. However, the national median sales price of new homes rose 13.9 percent in October to \$248,500. There were 563,000 available new homes on the market in October. The national months' supply—the number of months it would take to sell the current inventory at the current sales pace—was up 6.7 percent in October to 7.3 months, representing a growth of 56.0 percent from last year. In the South region, new home sales fell by 8.7 percent to 42,000 units in October. Compared to last year, the volume of new home sales in the South region was down 17.6 percent. The October inventory of new homes for sale in the South region rose to a 6.8 months' supply, an increase of 8.4 percent above September and of 44.0 percent over the previous year. In Maryland, a total of 903 new homes were sold in October, representing a drop of 18.0 percent from last month and of 40.9 percent from October 2005.

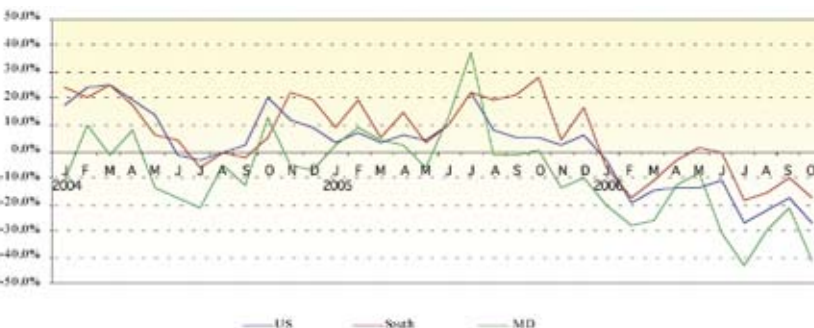
Existing Home Sales Fell in October

The volume of existing home sales fell nationwide to 518,000 units in October, representing declines of 2.1 percent from September and 8.3 percent from last year. Nationally, housing inventory increased 1.9 percent in October to a 7.4 months' supply. Compared to October 2005, the housing inventory was up 34.4 percent while the months' supply was

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NEW HOME SALES

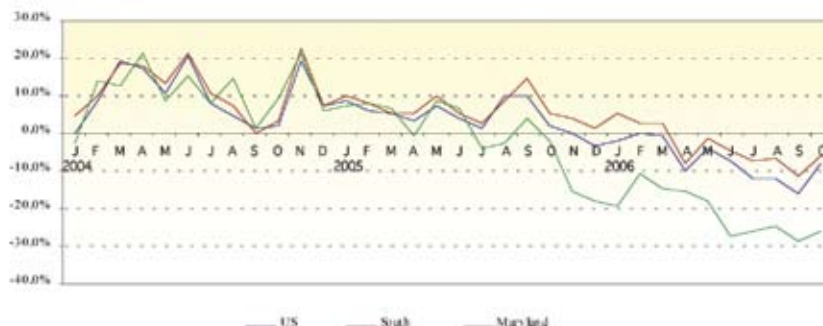
Percent Change from Same Month Previous Year



Source: U.S. Census Bureau & Maryland Department of Housing and Community Development

EXISTING HOME SALES

Percent Change from Same Month Previous Year



Source: U.S. Census Bureau & Maryland Association of Realtors

REAL ESTATE TRANSACTIONS IN MARYLAND – OCTOBER 2006

JURISDICTION	DAYS ON MARKET			HOUSING UNITS SOLD			Housing Inventory	MONTHS' SUPPLY		
	Current Month	Change from		Current Month	Change from			Number of Months	Change From	
		Last Year	Last Month		Last Year	Last Month			Last Year	Last Month
Allegany	75	-24.2%	-3.8%	45	-55.9%	-21.1%	380	8.4	248.7%	37.5%
Anne Arundel	81	97.6%	8.0%	568	-28.5%	-6.6%	4,189	7.4	144.5%	4.5%
Baltimore	61	74.3%	17.3%	817	-12.4%	6.0%	3,701	4.5	88.0%	-7.7%
Baltimore City	69	56.8%	15.0%	734	-26.7%	-0.4%	4,627	6.3	100.7%	0.8%
Calvert	113	76.6%	36.1%	79	-43.6%	-14.1%	926	11.7	206.7%	17.0%
Caroline	99	12.5%	-13.2%	25	-41.9%	4.2%	403	16.1	144.9%	-5.4%
Carroll	72	67.4%	-15.3%	138	-28.9%	-6.8%	1,197	8.7	136.7%	4.5%
Cecil	106	41.3%	16.5%	79	-30.1%	-12.2%	860	10.9	141.7%	11.8%
Charles	65	97.0%	1.6%	169	-29.6%	-28.7%	1,308	7.7	179.7%	38.1%
Dorchester	120	-4.0%	14.3%	21	-51.2%	-54.3%	504	24.0	166.7%	126.7%
Frederick	95	115.9%	18.8%	282	-21.9%	-7.2%	1,989	7.1	96.0%	3.0%
Garrett	181	16.8%	-7.7%	38	-17.4%	-20.8%	436	11.5	32.6%	10.8%
Harford	74	85.0%	17.5%	248	-23.7%	-2.7%	1,866	7.5	130.3%	3.5%
Howard	69	122.6%	21.1%	305	-17.1%	4.8%	1,773	5.8	109.3%	-10.3%
Kent	213	119.6%	28.3%	15	-25.0%	-25.0%	288	19.2	63.4%	41.7%
Montgomery	74	146.7%	10.4%	992	-26.2%	-0.4%	5,332	5.4	111.9%	-4.4%
Prince George's	57	96.6%	16.3%	1,050	-24.1%	6.7%	4,349	4.1	158.0%	-8.4%
Queen Anne's	129	18.3%	5.7%	47	-31.9%	-6.0%	621	13.2	112.5%	7.4%
St. Mary's	66	65.0%	-17.5%	92	-37.4%	-29.2%	771	8.4	224.2%	42.2%
Somerset	na	n/a	n/a	11	-50.0%	-45.0%	228	20.7	128.0%	65.2%
Talbot	107	8.1%	-18.3%	53	-20.9%	-13.1%	646	12.2	67.7%	14.2%
Washington	102	92.5%	6.3%	116	-45.0%	0.9%	1,325	11.4	188.3%	-1.2%
Wicomico	n/a	n/a	n/a	56	-22.2%	-49.1%	566	10.1	128.1%	102.1%
Worcester	n/a	n/a	n/a	96	-45.8%	-30.9%	2,246	23.4	202.0%	39.8%
Maryland	73	79.7%	9.3%	6,076	-26.1%	-4.1%	40,531	6.7	121.1%	2.0%

Note: Days on the market for Somerset, Wicomico and Worcester counties were not available.

MARYLAND PENDING HOME SALES INDEX OCTOBER 2006

JURISDICTION	Pending Sales	INDEX		
		Index Value	Change From	
			Last Month	Last Year
Allegany	54	110.2	28.6%	-8.5%
Anne Arundel	679	111.7	14.5%	-8.7%
Baltimore	828	111.1	-0.7%	-12.2%
Baltimore City	910	149.7	6.1%	-8.7%
Calvert	96	84.5	10.3%	-17.9%
Caroline	42	157.0	31.3%	-10.6%
Carroll	141	81.5	-2.1%	-26.9%
Cecil	104	133.2	30.0%	-15.4%
Charles	209	143.0	3.0%	-12.6%
Dorchester	32	113.6	0.0%	-31.9%
Frederick	270	104.2	-3.2%	-23.9%
Garrett	35	104.2	-28.6%	-36.4%
Harford	258	111.4	-2.3%	-23.4%
Howard	319	91.9	4.6%	-13.8%
Kent	21	105.0	23.5%	-4.5%
Montgomery	1,114	89.2	9.2%	-14.8%
Prince George's	1,066	113.8	-1.9%	-24.1%
Queen Anne's	73	121.0	58.7%	0.0%
St. Mary's	97	113.0	-2.0%	-21.1%
Talbot	53	100.3	29.3%	-1.9%
Washington	122	108.6	-4.7%	-31.5%
Maryland	6,981	116.4	3.7%	-17.1%

Note: Due to lack of available data, the Index can not be calculated for Somerset, Wicomico, and Worcester counties.

...Home Sales from page 5

up 46.6 percent. The median sales price of existing homes was unchanged at \$221,000 in October after a \$1,000 upward revision of the September value. Compared to last year, the national median home sales price was down 3.5 percent. Existing home sales in the South region fell to 208,000 units, representing a decrease of 2.8 percent from September and of 5.9 percent below the previous year. The median home sales price in the South region (\$185,000) was unchanged from September, though it was down 7.0 percent from last year.

In October, the number of existing homes sold in Maryland decreased by 4.1 percent to 6,076 units, down 26.1 percent from last year. The inventory of Maryland homes available for sale increased by 2.1 percent to 40,531 units, the equivalent of a 6.7 months' supply. The October months' supply of homes rose by 2.0 percent from last month and by 121.1 percent over October 2005. The median sales price of existing homes in Maryland decreased by 0.1 percent in October to \$307,135, but was up 3.2 percent from the previous year.

Mortgage Applications Rise in November

Mortgage demand improved moderately in November, with the Mortgage Application Index of the Mortgage Bankers Association increasing by 1.7 percent to 612.4. The Purchase component of the Index rose 44.7 percent to 562.5. The Refinance component was up 1.0 percent to 1862.8. Compared

to November 2005, the Index was down 5.0 percent while the Purchase and Refinance components increased by 18.9 percent and 13.4 percent, respectively.

The contract rate on a 30-year, fixed-rate mortgage fell by 12 basis points in November to 6.24 percent, while the contract rate on a one-year adjustable rate mortgage decreased four basis points to 5.51 percent. The typical fixed-rate mortgage is 9 basis points below than a year ago. The typical adjustable rate mortgage is 37 basis points higher than last year. The spread between fixed and adjustable contract mortgage rates, which represents the risk of short term and long term borrowing, narrowed to 73 basis points in November, below the October spread of 81 points and substantially lower than the November 2005 spread of 119 points.

Pending Sales Signals Rebound in Maryland Home Sales

According to the National Association of Realtors, the Pending Home Sales Index (PHSI), based on contracts signed in October, declined 1.7 percent to a reading of 107.2. The PHSI was 13.2 percent below October 2005. Regionally, the October PHSI was down 1.7 percent in the South region to 122.9 and was down 9.3 percent below a year ago. The Index in the Midwest declined by 0.6 percent to 95.8 and was 15.4 percent below the previous year. In the West, the Index dropped 2.7 percent to 109.5

and was 17.4 percent lower than last year. In the Northeast, the Index declined 2.1 percent to 88.0 and was 13.5 percent below a year earlier. Bucking the national trend, the Maryland Pending Home Sales Index increased 3.7 percent to 116.4 in October, signaling a rebound in existing home sales pace over the next two months. Overall, the Index was down in eight jurisdictions, unchanged in one but was up in 12 Maryland jurisdictions. Compared to October 2005, the Index was down 17.1 percent.

Maryland Existing Home Sales Drop in October

Existing home sales in Maryland decreased by 4.1 percent in October to 6,076 units and declined by 26.1 percent from a year ago. Among local jurisdictions, Montgomery County with 1,050 units recorded the highest number of home sales in October. Strong home sales also were reported in Prince George's County (992 units), Baltimore County (817 units), Baltimore City (734 units), and Anne Arundel County (568 units). With the exception of Baltimore, Caroline, Howard, Prince George's and Washington counties, October home sales were down in all local jurisdictions, with declines of over 20 percent reported in Allegany, Charles, Dorchester, Garrett, Kent, St. Mary's, Somerset, Wicomico, and Worcester counties. Compared to last year, existing home sales decreased significantly, with declines of over 20 percent reported in all jurisdictions except Baltimore, Garrett and Howard counties.

...continues on page 7

Homeownership Affordability Indices

Maryland Homeownership Affordability Index Improves in October

The October Homeownership Affordability Indices for repeat buyers and first-time homebuyers in Maryland stood at 93 and 60, respectively, representing increases of 0.8 percent from last month and 0.9 percent from October 2005. The October gains resulted from lower mortgage rates and home prices along with a 0.3 percent growth in the state's median household income. In October, the median sales price of existing homes in Maryland decreased 0.1 percent to \$307,135 for repeat buyers and to \$261,065 for first-time homebuyers.

The October housing affordability fell below the state average in nine jurisdictions, with Garrett, Talbot, Baltimore, Worcester, and Kent counties recording the largest deviation. On the other hand, housing affordability significantly exceeded the statewide average in Allegany, Harford, Wicomico, and Calvert counties as well as Baltimore City.

Median home sales prices in October exceeded the statewide average in eleven jurisdictions while

falling below the average in the remaining thirteen. Home prices significantly exceeded the statewide average price in Montgomery County (40.7 percent), Talbot County (22.4 percent) Queen Anne's County (21.1 percent), Howard County (18.8 percent), and Anne Arundel County (10.7 percent). In contrast, home prices fell below the state average by more than 30 percent in Allegany County (70.7 percent), Baltimore City (52.8 percent), Somerset County (47.9 percent), Wicomico County (42.0 percent), and Dorchester County (38.1 percent).

Compared to October 2005, median home sales prices increased in seventeen jurisdictions with Baltimore City (17.2 percent), Somerset County (14.3 percent), Allegany County (13.6 percent) and Kent County (9.3 percent) recording the largest appreciation rates. On the other hand, home sales prices decreased in seven counties, with significant declines reported in Worcester County (9.7 percent), Calvert County (5.6 percent), and Carroll County (2.9 percent). ■



...Residential Construction from page 4

Baltimore City and Baltimore, Carroll, Cecil, Charles, Montgomery, St. Mary's and Washington counties. The value of housing units completed in Maryland dropped 14.4 percent to \$323.7 million in October. Maryland jurisdictions that reported gains in the number and value of housing completions included Baltimore City and Allegany, Baltimore, Calvert, Howard, Prince George's and St. Mary's counties. ■

...Home Sales from page 6

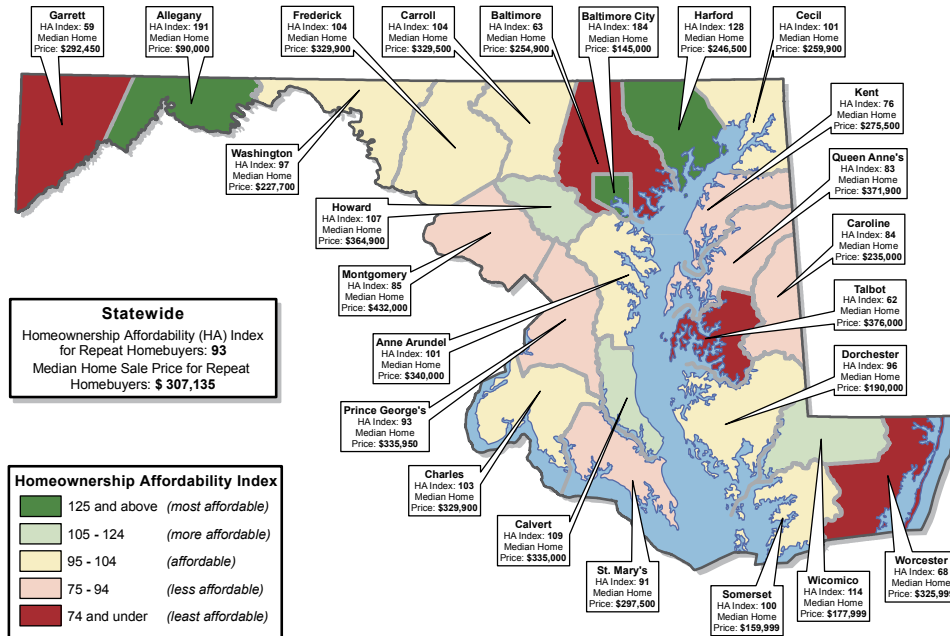
Statewide, the October inventory of existing homes for sale was 40,531 units. The inventory rose to 6.7 months' supply in October, representing an increase of 2.0 percent from September and of 121.1 percent from last year. The supply increase was quite noticeable in Dorchester County, where inventories rose 126.7 percent to a 24.0 months' supply. The supply was below six months in just four jurisdictions, including Baltimore, Howard, Montgomery, and Prince George's counties. In October, existing Maryland homes remained on the market for 73 days from the day the listing became active, representing an increase of 9.3 percent above September and of 79.7 percent over the previous year. Existing homes for sale remained on the market for 213 days in Kent County, the longest in Maryland, but for just 57 days in Prince George's County, the shortest. ■

HOME SALE PRICES AND AFFORDABILITY INDICES – OCTOBER 2006

JURISDICTION	MEDIAN HOME SALE PRICES				HOUSING AFFORDABILITY INDICES			
	Current Month		% Change From		Current Month		% Change From	
	Repeat Buyers	First Time Buyers	Last Year	Last Month	Repeat Buyers	First Time Buyers	Last Year	Last Month
Allegany	\$ 90,000	\$ 76,500	13.6%	-5.3%	191	123	-6.5%	6.4%
Anne Arundel	340,000	289,000	1.9%	0.0%	101	65	2.0%	0.8%
Baltimore	254,900	216,665	3.6%	3.0%	63	41	-39.7%	-40.8%
Baltimore City	145,000	123,250	17.2%	-3.3%	184	119	57.3%	72.4%
Calvert	335,000	284,750	-5.6%	1.7%	109	70	10.5%	-0.9%
Caroline	235,000	199,750	-2.0%	23.4%	84	54	2.1%	-18.3%
Carroll	329,500	280,075	-2.9%	1.4%	104	67	9.5%	-0.6%
Cecil	259,900	220,915	3.5%	-1.7%	101	65	-0.5%	2.5%
Charles	329,900	280,415	4.7%	1.5%	103	67	0.9%	-0.7%
Dorchester	190,000	161,500	2.2%	-10.6%	96	62	2.5%	12.7%
Frederick	329,900	280,415	3.1%	2.9%	104	67	0.1%	-2.1%
Garrett	292,450	248,583	1.4%	-4.6%	59	38	1.9%	5.6%
Harford	246,500	209,525	-1.4%	-8.7%	128	83	7.3%	10.4%
Howard	364,900	310,165	1.2%	-5.2%	107	69	-0.5%	6.2%
Kent	275,500	234,175	9.3%	-12.5%	76	49	-3.2%	15.2%
Montgomery	432,000	367,200	0.7%	-0.7%	85	55	-0.8%	1.4%
Prince George's	335,950	285,558	6.7%	1.8%	93	60	2.4%	-1.0%
Queen Anne's	371,900	316,115	4.8%	-3.9%	83	54	-3.7%	4.8%
St. Mary's	297,500	252,875	-0.8%	-9.7%	91	59	-3.1%	11.6%
Somerset	159,999	135,999	14.3%	-20.0%	100	64	-7.5%	26.0%
Talbot	376,000	319,600	3.7%	21.3%	62	40	0.6%	-16.9%
Washington	227,700	193,545	-2.7%	2.1%	97	62	5.0%	-1.3%
Wicomico	177,999	151,299	4.7%	-6.3%	114	74	-0.5%	7.5%
Worcester	325,999	277,099	-9.7%	-9.7%	68	44	14.3%	11.6%
Maryland	\$ 307,135	\$ 261,065	3.2%	-0.1%	93	60	0.9%	0.8%

Source: Maryland Department of Housing and Community Development

AFFORDABILITY INDEX FOR REPEAT HOMEBUYERS – OCTOBER 2006



Source: Maryland Department of Housing and Community Development



...National Economic Digest from front cover

positive contributions to the CFNAI. The sales, orders and inventories category made a small negative contribution of -0.01 to the October Index. Employment-related indicators also made a negative contribution of -0.12. Non-farm payroll employment rose by 92,000 in October. The October unemployment rate declined to 4.4 percent from 4.6 percent in September.

Beige Book Signals an Expanding U.S. Economy

According to the November Beige Book, economic growth was moderate in most Federal Reserve Districts. However, New York and Richmond reported that growth accelerated, while Dallas noted that the pace of economic activity continued to decelerate, and Atlanta described activity as mixed. Although automobile and housing-related sales were sluggish, most Districts reported robust consumer spending during October and early November and an optimistic retail sales outlook for the holiday season. The demand for services remained strong and the manufacturing sector continued its strong expansion in most Districts. Housing market conditions continued to decline as higher housing inventories, slow home sales, and weakening single-family construction were reported in almost all Districts. However, housing demand continued to be strong in a few specific markets, and nonresidential activity generally improved. Reports from financial institutions indicated a deceleration in residential mortgage lending, while commercial and industrial lending remained stable. Some Districts reported a slight increase in delinquencies. A number of Districts continued to report that labor markets were tight, especially for high-skilled occupations. Wage growth remained

generally moderate, although some Districts gave accounts of stronger wage pressures for some specialized professions. Most Districts reported that prices moderated for construction materials and energy products.

Consumer Confidence Index Declines in November

Following the October decline, the Conference Board Consumer Confidence Index weakened further in November by 2.2 points to 102.9. The Present Situation Index decreased to 123.6 from 125.1. Similarly, the Expectations Index declined to 89.2 from 91.9 last month. The November decline was due to a tighter labor market and a more cautious short-term outlook. However, according to the Conference Board, the overall level of consumer confidence is still favorable and continues to indicate that the U.S. economy will grow during the first half of 2007.

Consumers' short-term outlook on business conditions was pessimistic as the expectations on business conditions to improve in the next six months fell to 15.1 percent from 18.5 percent. On the other hand, the number of consumers expecting increases to their income in the coming months rose by 20.7 percent in November from 20.0 percent in October.

The University of Michigan's Consumer Sentiment Index slipped from 93.6 in October to 92.1 in November. The Present Conditions component declined 1.3 points to 106.0 in November. The Expectations Component dropped by 1.6 points to 83.2 in November. The decline in consumer sentiment was the result of leveled-off gasoline prices and the persistent weakening of the housing markets. ■



Maryland Department of Housing and Community Development

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